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SIPDIS

DEPT FOR EB/CBA, AF/EPS, AF/S

JOHANNESBURG FOR FCS

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E.O. 12958: N/A

TAGS: [BEXP](#) [BTIO](#) [EINV](#) [ETRD](#) [ABUD](#) [MZ](#) [BFIF](#)

SUBJECT: FY 04 BFIF PROPOSAL

REF: (A) 03 STATE 347748 (B) MAPUTO 70

1. Post requests funding in the amount of \$30,322 under the Business Facilitation Incentive Fund (BFIF) for FY 04.

2. In order of priority, we propose the following projects for FY04:

A. Commercial Outreach, Market Development, and Export Promotion. Proposed Funding Level: \$15,322

Twice the size of California, Mozambique has ten provinces and a capital city located in the southernmost province. Maputo is far-removed from commercial and political activity in a majority of the country, but dominates in attracting foreign investment, entrepreneurs, and relies heavily on access to the South African market. Because of its large size, poor infrastructure, remote location from U.S. and European markets, and commercial and labor codes that are slow to reform, Mozambique has a long road ahead in attracting significant foreign investment and achieving regional competitiveness. However, the business community is in constant communication with the GRM in order to reform the business environment by creating more investment-friendly policies and promoting competition. Firms currently operating in Mozambique are in need of home country support and outreach. Communication between firms, the GRM, and the diplomatic community is critical to improvement of the business climate and to ensure that fair treatment of firms is achieved. Additionally, Post outreach to commercial associations, entrepreneurs, agricultural institutes and organizations, fishing associations, and industry is critical to introducing U.S. products and programs to an audience generally uninformed about U.S. opportunities and the U.S. market.

Post travel to the provinces will focus on visiting U.S. businesses in operation and offering continued support on GRM relations and financial repayment of the VAT. Additionally, econ/poloffs will take the opportunity to meet with farmers, businessmen, entrepreneurs, academics, and commercial associations to discuss U.S. export opportunities and incentive programs such as AGOA. Discussions will focus on how Mozambique can specifically benefit from AGOA in the textile/garment and handicraft sector and how specific sectors such as agriculture, construction, and aquaculture may benefit from U.S. technology and market offerings. Furthermore, Post would greatly benefit from consultations at the regional FCS office in Johannesburg and USAID's Southern Africa Global Competitiveness Hub in Gaborone. Post works closely with FCS on various issues out of Durban and Johannesburg such as joint research for commercial inquiries, Gold Key Service requests, and local trade shows and exhibitions. Additionally, Post works with Mozambique's USAID private sector development team in weekly meetings, focusing on issues such as labor, business registration, tax administration, and import/export regulations and tariffs. The opportunity to meet with officers in regional support offices, shadow their work, and establish greater contact is invaluable to Embassy Maputo and its operations, since it is not home to a FCS office. Post would gain greater insight on commercial resources and contacts, allowing for more effective U.S. product promotion and program efforts in Mozambique.

Commercial outreach, market development, and export promotion is in line with Post's FY 2005 MPP Economic Growth and Development Goal. Communication and establishment of commercial contacts in-country will "promote trade openness and exports to the region, the US, and the world" (Strategy 1). Additionally, Post's increased knowledge of U.S. commercial resources, physical and virtual, will lead to effective management of commercial inquiries, forging a valuable relationship with Post and the Regional FCS, TDA, and USAID Competitiveness Offices (Tactic 7). Key performance indicators will be the rise in AGOA and other U.S.-assisted exports to the U.S. and bilateral business-to-business contacts established by the econ/commercial section.

Post recommends the following commercial outreach travel: Sofala/Manica/Tete Provincial Travel will include the following site visits:

- Port of Beira, Mozambique's most active port
- Commercial Association of Sofala (ACIS); represents 27 businesses operating in Sofala, 2 of which are U.S. businesses
- Mobeira - flour-producing mill owned by the U.S. corporation Seaboard

- Belita - currently the only textile and garment factory operating under AGOA
- Agricultural Institute of Chimoio
- Coca-Cola Bottling Factory, Chimoio
- Vilmar Rose Plantation
- Pescamar Fishing Association
- Moatize coal mines
- Zambeze River Valley Authority
- Cahora Bassa Hydroelectric Company
- Technoserve - American agricultural NGO

Total for Econ/Poloff and Commercial FSN - \$3220

Transportation: \$1000 (\$500/person)

Per diem: \$1320 (\$110/day, 6 days)

Conference Room Rental: \$900 (\$300/site)

Zambezia/Nampula/Cabo Delgado/Niassa Provincial Travel will include the following site visits:

- Nakosso Business Center
- Tenga, Ltd - Mozambique's first macadamia nut farm; involves U.S. investors from CA
- Port of Nacala
- Technoserve - American agricultural NGO
- Kenmare Resources (Moma Heavy Sands Project)
- Business Centers Inc., Nampula (US-investor owned and managed)
- Miranda Cashews - working successfully to produce and export cashews with help from Technoserve
- Cuamba University
- Indian Ocean Aquaculture - large shrimp farm project with U.S. investment

Total for Econ/Poloff and Commercial FSN - \$4980

Transportation: \$1800 (\$900/person)

Per diem: \$1980 (\$110/day, 9 days)

Conference Room Rental: \$1200 (\$300/site)

Inhambane/Gaza/Maputo Provincial Travel will include the following site visits:

- Port of Maputo
- MOZAL Aluminum Smelter - Mozambique's largest revenue-earning firm
- SASOL natural gas pipeline
- US-Mozambican Chamber of Commerce
- Center for Investment Promotion (CPI)
- Export Promotion Center (IPEX)
- Association of Business Confederations (CTA)
- Vilankulos Wildlife Sanctuary, Lighthouse Lodge (U.S. investment)
- Eduardo Mondlane University
- CITRUM - Mozambican citrus-producing company

Total for Econ/Poloff and Commercial FSN - \$2300

Transportation: \$300 (\$150/person)

Per diem: \$1100 (\$110/day, 5 days)

Conference Room Rental: \$900 (\$300/site)

Post recommends the following training/consultation travel:

Consultations at FCS and TDA Johannesburg - \$2976

Bi-annual travel for two Econ/Poloffs and the Commercial FSN to Johannesburg: Round-trip airfare \$1800 (six trips) and per diem \$1176 (six two-day trips).

Consultations at Southern Africa Global Competitiveness Hub in Gaborone, Botswana - \$1,856

Travel for one Econ/Poloff and the Commercial FSN to Gaborone: Round-trip airfare \$1130 (two trips) and per diem \$726 (two three-day trips)

Post anticipates that this travel will produce critical results for U.S. investment in-country and commercial resource knowledge at Post. The rising number of commercial inquiries Post receives and the increase of U.S. business investment in Mozambique will measure commercial outreach. Similarly, a rise in U.S. exports to Mozambique will signify successful commercial work. An increase in the number of local firms exporting under AGOA to the U.S. will also be a quantifiable goal. Post travel to regional FCS, TDA, and USAID competitiveness offices will improve Econ/Poloff and Commercial FSN's knowledge of commercial resources, enabling Post to deal more effectively and efficiently with commercial inquiries. Performance metrics may include the increased number of coordinated activities between FCS, TDA, and Export Assistance Centers (EACs) and Post in FY04.

B. Key Investment Issues Seminar in partnership with Mozambique-U.S. Chamber of Commerce. Proposed Funding Level: \$7000

A country in the midst of economic reform and development, Mozambique has several issues that it must face in order to increase foreign investment and increase regional economic competitiveness. The following issues must be addressed by the GRM: timeliness of business registration, tax administration and VAT repayments to exempted firms and donors, hiring of foreign labor, lack of available credit, and land ownership. The private sector, donor communities, and commercial associations engage in continuous dialogue with the GRM to encourage the GRM to adopt more investment-friendly policies and open up its markets to outside investment. The GRM is slowly taking steps to see that reform is made, but the current and prospective investment community must be kept informed on such key issues affecting business operations and market access.

Post proposes that a "Key Investment Issues Seminar" be coordinated with the Mozambique-U.S. Chamber of Commerce to

bring to light current business and investment issues. Currently, Post works closely with the Chamber of Commerce and is establishing joint programs with the Chamber on investment, health, and education. Members of the Chamber are influential players in the local business community and can bring their expertise in working in the Mozambique commercial and labor systems to the table. Participants would include potential and current investors, donors, commercial and labor associations, and government representatives.

Exact figure costs are not yet available, but our best estimate for Post expenditure is \$7000 for conference room facilities and promotional materials. The Chamber may have some funding available for this project, but is not able to carry the event alone without USG help.

Post may measure project impact by progress achieved in lessening the time it takes to register a business in Mozambique and the increased willingness to liberalize labor and commercial regulations. However, since movement requires a dialogue between the GRM and the private sector, the GRM must be ready and willing to implement liberal reform changes. Due to the nature of such political processes (especially in third world countries), achieving success in this area will take time. Regardless, reform in these areas must be achieved for Mozambique to open its markets to U.S. investors who would be willing to come in and operate, promoting and selling U.S. products.

Hosting a Key Investment Issues Seminar in coordination with the Mozambique-U.S. Chamber of Commerce is in line with Post's FY 2005 MPP Economic Growth and Development Goal. Specifically, it will encourage "improvement in the business and investment climates" (Strategy 2). A performance indicator would be the amount of "red tape" eradication achieved.

1C. USDOC Catalog Show in Beira - Proposed Funding Level: \$8000

In order to promote U.S. products and market opportunities in Mozambique's second largest commercial center, Post proposes a DOC catalog show in the central Province of Sofala, the city of Beira. Beira is home to Mozambique's most active port and sees significant transit trade with Zimbabwe and Malawi. The central provinces rely heavily on the Beira development corridor that consists of railway and road transportation from Harare to Beira. Commercial activity along the corridor is vital to the survival of the central provinces.

Post believes that the business community, investors, producers, and suppliers would greatly benefit from a catalog show showcasing available U.S. agricultural, technical, and industrial products. Since most of the trade fairs and catalog events take place in the capital city of Maputo, often the Beira community is excluded from participation because of the distance and cost of travel to attend such events. An active commercial association, ACIS, is working in Sofala to support businesses operating in that area. Organizing in 2000, ACIS represents the interests of 27 businesses working in Sofala and is keen to investment and commercial-related programming. Post can rely on the expertise and strong participation of ACIS in the catalog show, as they represent two U.S. firms already established and working in the Sofala Province.

Exact figure costs are not yet available, but our best estimate for Post expenditure is \$8000 for space rental, promotional materials, and Pol/econoff and Commercial FSN travel to Beira.

Program success may be measured by the dollar increase of U.S. exports as a result of increased U.S. product awareness in Mozambique's second largest commercial hub. Additionally, Post will make valuable business contacts by administering the catalog show and will likely receive many more inquiries regarding contact with U.S. firms for U.S. equipment and business partnerships.

Presenting a USDOC Catalog Show is in line with Post's FY 2005 MPP Economic Growth and Development Goal. Such a program will "promote trade openness and exports to the region, the U.S., and the world" (Strategy 1). In particular, a catalog show would showcase U.S. companies looking to invest (Tactic 7). Performance indicators would be the dollar increase of U.S. investment in Mozambique.

13. POC for the above-mentioned activities is Econ/Poloff Loren Dent. She may be reached at 258-1-492-797, ext. 3422 and at dentln@state.gov
La Lime